

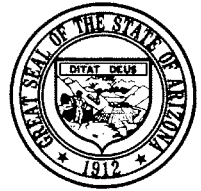
ARIZONA DEPARTMENT OF WATER RESOURCES

Office of Assured and Adequate Water Supply

3550 North Central Avenue, Phoenix, Arizona 85012

Telephone 602 771-8500

Fax 602 771-8689



Janet Napolitano
Governor

Herbert R. Guenther
Director

June 12, 2007

Mr. Roy Tanney
Arizona Department of Real Estate
2910 N. 44th Street
Phoenix, Arizona 85018

Water Report #53-700340.0000

Subdivision Name: Skyline Ranch

Owner: Skyline Ranch Development
and Construction, LLC, an Arizona limited
liability company

Number of lots: 71

County: Apache

Township 10 North, Range 24 East, Section 11,
Township 10 North, Range 24 East, Section 12
Lots 1 thru 71, inclusive

Water provided by: The Wilderness

Water Type: Groundwater

Current water depth: No Information Provided

Estimated 100-year depth: No Information Provided

Current decline rate: No Information Provided

Basin: Little Colorado River Plateau

Dear Mr. Tanney:

Pursuant to A.R.S. § 45-108, the Department of Water Resources has reviewed the available information pertaining to the water supply for the above-referenced subdivision. This letter constitutes the Department's report on the subdivisions water supply as required by A.R.S. § 45-108(A).

Adequacy of the 100-year water supply was reviewed by the Department with regard to physical, legal and continuous availability, water quality, and financial capability. No information has been provided to the Department that indicates that the applicant has satisfied the adequate water supply requirements as set forth in A.A.C. R12-15-701 *et seq.* Therefore, the Department of Water Resources finds the water supply to be inadequate to meet the subdivision's projected needs.

Pursuant to A.R.S. §32-2181(F) a summary of the Department's report for those with an inadequate water supply be included in all promotional material and contracts for sale of lots in the subdivisions. We suggest the following synopsis:

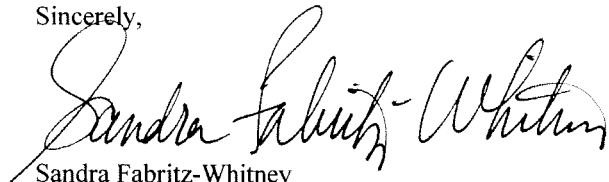
"Skyline Ranch subdivision is being served groundwater by The Wilderness. The developer has chosen not to demonstrate a 100-year adequate water supply. The applicant has not demonstrated that the criteria for physical, legal and continuous availability, water quality, and financial capability have been met. Therefore the Department must find the water supply to be inadequate. For additional information please contact Richard Obenshain, of the Office of Assured and Adequate Water Supply at (602) 771-8585."

The developer, pursuant to A.R.S. §32-2181(F), may suggest a different summary of this report, but it must contain the above elements and/or the Department's findings.

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Water Report
Skyline Ranch subdivision

This letter is being forwarded to your office as required by A.R.S. § 45-108. This law requires the developer to hold the recordation of the subdivision's plat until receipt of the Department's report on the subdivision's water supply. By copy of this report, the Apache County Recorder is being officially notified of the developer's compliance with the law.

Sincerely,

A handwritten signature in black ink, reading "Sandra Fabritz-Whitney". The signature is written in a cursive, flowing style.

Sandra Fabritz-Whitney
Assistant Director
Water Management Division

cc: Apache County Planning and Zoning
Apache County Recorder
Kristin Mersot, Horizon Development
Rosemary Lopez, Office of Assured and Adequate Water Supply